

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
L-03 PA-01 PRS-01 AGRE-00 /085 W
-----041203Z 020692 /10

R 040800Z MAR 77
FM AMCONSUL ZURICH
TO SECSTATE WASHDC 2477
INFO AMEMBASSY BERN

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PASS TREASURY AND FRB

EO 11652: N/A
TAGS: EFIN, SZ
SUBJ: SWISS NATIONAL BANK OFFICIAL COMMENTS ON
RECENT WEAKENING OF SWISS FRANC

1. IN A CONVERSATION MARCH 3, A SENIOR OFFICIAL OF THE SWISS NATIONAL BANK (SNB) DECLARED THAT, CONTRARY TO SOME RECENT PRESS SPECULATION, THE BANK'S OBJECTIVES DURING THE PAST WEEK HAS BEEN TO MODERATE THE WEAKENING TENDENCY OF THE SWISS FRANC ON THE FOREIGNEXCHANGE MARKET AND NOT TO ENCOURAGE IT. HE SAID THAT THE SNB HAS NO INTEREST IN A SUBSTANTIAL DECREASE IN THE VALUE OF THE FRANC, AS THIS WOULD WORK AGAINST EFFORTS TO CONTROL EXPANSION OF THE MONEY SUPPLY AND TO CONTAIN INFLATION. THUS, SNB INTERVENTION IN THE MARKET DURING THE PAST WEEK HAS BEEN ONE-SIDED -- SELLING DOLLARS AND PROTECTING THE FRANC.

2. THE OFFICIAL SAID THAT THE RECENT "WEAKNESS" OF THE FRANC CAME AS A SURPRISE TO THE ZURICH
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FINANCIAL COMMUNITY. THE SNB DOES NOT BELIEVE THE FRANC'S DOWNWARD MOVEMENT IS LIKELY TO CONTINUE BUT THAT IN COMING MONTHS, THE DOLLAR AND FRANC WILL TRADE IN THE CURRENT RANGE.

3. THE OFFICIAL EXPRESSED HIS OPINION THAT THE FOLLOWING FACTORS CONTRIBUTED TO THE RECENT TREND

-- RECOGNITION THAT THE SWISS FRANC IS NOT LIKELY TO INCREASE IN VALUE IN THE SHORT TERM. THEREFORE, SPECULATORS SEE LITTLE ADVANTAGE IN MOVING INTO FRANCS AND PREFER INSTEAD TO INVEST IN DOLLARS AND TO A LESSER EXTENT IN STERLING OR LIRE WHERE CURRENT INTEREST RATES ARE MUCH MORE ATTRACTIVE.

-- PUBLISHED STATISTICS INDICATING THAT IN RECENT MONTHS THE RATE OF CAPITAL INFLOW INTO SWITZERLAND HAS DROPPED OFF RATHER SHARPLY (THERE HAS NOT BEEN AN OUTFLOW, HOWEVER)

-- THE FACT THAT SWISS TERMS OF TRADE HAVE DETERIORATED SLIGHTLY AND IMPORTS HAVE RISEN WHILE EXPORTS HAVE LEVELED OFF (HE ADDED THAT RELATIVELY CHEAP IMPORTS HAVE MADE AN IMPRTANT CONTRIBUTION IN EFFORTS TO CONTROL DOMESTIC INFLATION).

-- A RECENT WIDELY PUBLICIZED FORECAST BY A PRIVATE U.S. SECURITIES FIRM PROJECTING A "SUBSTANTIAL DEPRECIATION" IN THE VALUE OF THE FRANC. WHILE THE CONCLUSIONS OF THE FORECAST WERE NOT WIDELY SHARED BY AMERICAN OR EUROPEAN EXPERTS, ITS TIMING AND THE PROMINENT PUBLICITY IT RECEIVED IN EUROPE CAUSED SOME MARKET REACTION.

4. THE OFFICIAL INDICATED THAT IF PRESSURE ON THE SWISS FRANC CONTINUES OR INCREASES THE BANK WILL STEP UP ITS EFFORTS AIMED AT STABILIZING THE VALUE OF LIMITED OFFICIAL USE

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THE FRANC AT ABOUT THE CURRENT LEVEL.
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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, ECONOMIC REPORTS, FRANC, CURRENCY STABILITY, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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